



Fairfax County Internal Audit Office

**Sheriff's Office
Procurement Card Audit
Final Report**

September 2011

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Executive Summary

We performed an audit of the procurement card program within the Sheriff's Office which consisted of twenty-two cards at the time of our review.

Our review of procurement cards revealed that internal controls were adequate. Internal control procedures were well documented, a well designed separation of duties was in place, and the Sheriff's Office appeared to be in compliance with internal controls outlined in the county Procedural Memorandum (PM) 12-02, *Use of the County Procurement Card*. However, we noted the following exception where controls needed to be strengthened: Virginia sales tax was inappropriately added on to a number of procurement card transactions.

In addition, an analysis performed for the period of June 1, 2010, through May 31, 2011, revealed that the monthly spending limits were set well higher than actual usage for a number of procurement cards. Setting card limits higher than necessary increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee. This issue was also noted in the Procurement Assistance and Compliance review performed in January 2009. Some, but not all of these cards, were set up to be used for emergency purposes. Per the Sheriff's Office response, they have made a business decision to keep card limits the same and accept the potential risks that this entails.

Scope and Objectives

This audit was performed as part of our fiscal year 2011 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit population included 1,238 transactions worth \$249,670 that occurred during the period of June 2010 through May 2011. Our audit objectives were to determine if the department:

1. Had developed written internal procedures in accordance with PM 12-02.
2. Followed the county rules and procedures for the use of procurement cards.
3. Had adequate internal control procedures in place and that these procedures were being followed by cardholders.
4. Transactions were reasonable, in line with policy, and did not appear to be fraudulent.

Methodology

Audit methodology included a review and analysis of internal control procedures, procurement card expenditures and related accounting records of the department. Our audit approach included an examination of procurement card expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county PM 12-02 *Use of the County Procurement Card*. Information was extracted from the procurement card management system for sampling and verification to source documentation during the audit; however, our audit did not include an independent review of the system controls. Our transaction testing did not rely on system controls; therefore, this was not a scope limitation.

Findings, Recommendations, and Management Response

Sales Tax Exemption

Virginia sales tax was inappropriately added on to a number of procurement card transactions. IAO requested the back-up documentation for the transactions where the sales tax was charged. Some of the charges shown on the PaymentNet report as sales tax were shipping and/or handling costs. In other cases, either the department received a credit or the county was refunded. Virginia sales tax totaling \$136 was inappropriately added on for nine procurement card transactions.

Procedural Memorandum 12-02 states that most county purchases are exempt from Virginia state sales tax. The county's exempt number is printed on the face of each card. Failure to make sure that sales tax was not charged on exempt purchases can lead to a waste of county funds.

Recommendation: The Sheriff's Office should ensure that card users are aware of the sales tax exemption for goods and services purchased in Virginia. Vendors should be reminded of the county's tax exempt status and receipts examined to verify that sales tax was not charged.

Management Response: In cases where tax has been incorrectly charged to a procurement card, the Sheriff's Office staff seeks a refund of those taxes. For FY 2011, the tax incorrectly paid by the county through the Sheriff's Office was \$38.42, or less than .0004 of total sales. We will continue to remind staff to always use the tax exemption where appropriate.